

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01

DOE-15 OIC-02 /126 W

-----119743 170118Z /73

R 170000Z MAY 78

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 0273

INFO AMEMBASSY LIMA

USMISSION GENEVA

ALL USCONS MEXICO POUCH

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E.O. 11652: N/A

TAGS: MTN, ETRD, MX

SUBJECT: US-MEXICO TRADE SUB-GROUP MEETING - MAY 11, AFTER-
NOON SESSION

FOLLOWING IS FROM EMBASSY OFFICERS' NOTES; US DEL HAS NOT
CLEARED.

1. DURING AFTERNOON SESSION US DELEGATION NOTED THAT GSP
IS NOT POPULAR IN US AND THAT SEEKING THE TYPE OF CHANGES
MEXICO WANTS IN GSP WOULD REQUIRE LEGISLATION AND THE OUT-
COME OF SUCH AN EFFORT MIGHT NOT BE BENEFICIAL TO MEXICO.
THERE IS ALSO CONSIDERABLE PRESSURE AGAINST 806/807 AND TO
ATTEMPT TO MAKE CHANGES MIGHT HAVE JUST THE OPPOSITE OUT-
COME. USDEL NOTED THAT NO OTHER DEVELOPED COUNTRY HAS A
PROGRAM LIKE THE 806/807 AND THAT OUR GSP IS AMONG THE
BEST. THESE POINTS HAD BEEN MADE AT SEVERAL EARLIER MEET-
INGS BUT US DEL FELT IT USEFUL TO NOTE AGAIN THAT GSP IS A
UNILATERAL GRANT MADE BY EACH COUNTRY INDIVIDUALLY - AND
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OUR PROGRAM HAS BEEN ESPECIALLY DESIGNED TO MEET MEXICO'S
NEEDS.

2. GARRIDO TOOK NOTE OF US POSITION BUT ADDED TWO POINTS -
US DOMESTIC POLITICAL PROBLEMS WITH GSP WERE NOT MEXICO'S
PROBLEM AND AS THE GSP NOW EXISTS, IT DOES NOT ALLOW FOR
FULL ADVANTAGE TO BE TAKEN OF THE PROGRAM. GARRIDO FELT

THAT SIGNIFICANT CHANGES COULD BE MADE WITHOUT RESORT TO LEGISLATION. THE US DEL REPLIED THAT US POLITICAL PROBLEMS WERE VERY MUCH MEXICO'S BUSINESS.

3. THE US DEL REVIEWED SOME POINTS MADE EARLIER IN THE DAY WITH REGARD TO THE MTN AND THE US OFFER. IT WAS NOTED THAT THE CARTER ADMINISTRATION WAS FOLLOWING ESSENTIALLY A NEW PROGRAM THAT CALLED FOR GREATER LIBERALIZATION AND THE FULLER DISCUSSION OF PROTECTIONIST POLICIES IN MULTILATERAL FORA. IN THIS REGARD THE JANUARY 23 US OFFER WAS REVIEWED IN DETAIL AND THE MEXICAN TRADE COVERAGE CLEARLY SPECIFIED.

4. GARRIDO NOTED THAT MANY OF THE ITEMS ON THE MEXICAN REQUEST LIST WERE NOT INCLUDED IN THE US OFFER AND IN SOME CASES ITEMS IN THE US OFFER WERE NOT REQUESTED. HE ALSO NOTED THAT OF 58 AGRICULTURAL PRODUCTS REQUESTED ONLY 7 WERE IN THE US OFFER, AND THAT THE US REFUSED TO IMPROVE ITS OFFER UNTIL INFORMED OF THE MEXICAN CONTRIBUTION TO THE MTN. THE MEXICANS ADDED THAT DURING DISCUSSIONS LAST WEEK IN GENEVA IT BECAME OBVIOUS THE US WAS USING A 1976 LIST IN REFERRING TO PRIMARY SUPPLIES. MEXICO'S REQUESTS ARE BASED ON A 1975 LIST. THIS HAS LED TO SOME DISCREPANCIES. REGARDING THE RECENT DISCUSSION OF NON-TARIFF BARRIERS IN GENEVA, MEXICO COULD NOT AT THIS TIME CONTINUE THE TALKS DUE TO A LACK OF INFORMATION.

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5. US DEL EXPLAINED WHY THE US AGRICULTURAL OFFER WAS NOT BEING TABLED. THE US OFFER WILL BE GENEROUS BUT THERE IS A GREAT DEAL OF POLITICAL PRESSURE FOR THE US TO BRING IN A LIMITED OFFER. MANY OF THE ITEMS WILL BE ESPECIALLY SENSITIVE AND UNTIL AND UNLESS THE US CAN POINT TO SOME POSITIVE MEXICAN ACTION THE USG IS TOO EXPOSED. MR. WHITE SUGGESTED THAT MEXICO BE AS FORTHCOMING AS POSSIBLE IN DISCUSSING ITS OFFER. THIS NEED NOT BE A FORMAL STATEMENT OF INTENT BUT CERTAINLY SOME SIGNALS SHOULD BE GIVEN OF MEXICAN WILLINGNESS TO LIBERALIZE. GARRIDO FELT THAT SOME SIGNALS HAD BEEN GIVEN, BUT THE STUDIES HAVE NOT BEEN MADE AND ANY COMMENTS ABOUT A POSSIBLE PACKAGE WOULD BE SUBJECT TO CHANGE, THUS RENDERING A DISCUSSION OF THE OFFER MOOT. HE NOTED THAT WHILE NO QUID PRO QUO WOULD BE POSSIBLE IT WOULD BE VERY HELPFUL TO THE MEXICANS IF THE US DEL COULD GIVE SOME INDICATION OF ITS OFFER. US DEL SAID THE US OFFER IS VERY SPECIFIC AND THAT THE US, THROUGH INFORMAL PROCEDURES, HAD GIVEN MEXICO AN IDEA OF ITS OFFER. IT SUGGESTED THAT WHAT WAS NEEDED WAS AN INFORMAL PROCEDURE TO BUILD SOME SYMMETRY INTO THE TWO OFFERS. SPECIFIC AREAS OR ITEMS COULD BE SINGLED OUT AS BEING VERY SENSITIVE, DIFFICULT BUT POSSIBLE, OR RELATIVELY EASY. THIS SHOULD

BE DONE ON A PRODUCT BY PRODUCT BASIS. US DEL POINTED OUT THAT THE AGRICULTURE OFFER WOULD BE ON A PRODUCT-BY-PRODUCT, COUNTRY-BY-COUNTRY BASIS RATHER THAN A GENERAL OFFER.

6. GARRIDO ASKED FOR COMMENTS FROM RAMOS CANTORAL (SECRETARY OF AGRICULTURE AND HYDRAULIC RESOURCES), WHO SUGGESTED THE US IS TRYING TO REVERSE THE LOGICAL ORDER OF THINGS. HE SAID THAT MEXICO, DUE TO ITS NATURAL TRADE DISADVANTAGES VIS A VIS THE US, MUST SEE THE US OFFER BEFORE IT CAN BEGIN TO FORMULATE ITS OFFER. HE FELT THAT THE GROUP WAS LOSING SCOPE BECAUSE OF ITS CONCERN WITH SECTORAL AND EVEN INTRA-SECTORAL BALANCE. HE SUGGESTED THAT MEXICO'S OVER ALL WEAKNESSES BE CONSIDERED AND REITERATED THE FAIRNESS OF MEXICO HAVING A FIRST LOOK AT THE LIMITED OFFICIAL USE

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US OFFER. GARRIDO NOTED THAT MEXICO HAS ELIMINATED IMPORT PERMIT

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REQUIREMENTS ON 8 AGRICULTURAL PRODUCTS AND SUGGESTED THIS WAS A SIGNAL OF MEXICAN INTENT. HE ADDED THAT WHILE

PERMITS WERE NO LONGER REQUIRED ON THOSE ITEMS TARIFFS HAVE BEEN INCREASED AND THAT IN ANY EVENT THE PERMIT REQUIREMENT MAY BE REIMPOSED IF THE US RESPONSE IS NEGATIVE OR INADEQUATE.

7. US DEL EMPHASIZED THAT THE US RESPONSE TO MEXICO'S REQUEST WAS VERY SUBSTANTIAL. HE NOTED THAT OF 77 ITEMS ON MEXICO'S LIST ONLY 16 WERE NOT SUBJECT TO TARIFF REDUCTION. OF THOSE WITH TARIFF REDUCTIONS 15 WOULD BE LESS THAN FORMULA, (MOSTLY IN TEXTILE PRODUCTS), 35 WOULD BE FORMULA CUTS, AND 31 BETTER THAN FORMULA CUTS. FAILURE ON THE PART OF MEXICO TO MAKE OFFERS MIGHT OCCASION PARTIAL US WITHDRAWALS. IT WAS ALSO POINTED OUT THAT THE US IS VERY MUCH OUT FRONT IN THIS AREA, THAT EUROPE HAS NOT MATCHED THE US OFFER, AND THAT DOMESTIC PRESSURES ARE BUILDING. TO MAINTAIN ITS OFFERS THE US WOULD HAVE TO BE ABLE TO POINT TO SOME POSITIVE OFFERS FROM OTHER PARTICIPANTS. LIMITED OFFICIAL USE

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PANTS. TIME IS NOW WORKING AGAINST BOTH MEXICO AND THE US. THE US DEL EXPRESSED SYMPATHY WITH THE PROBLEM OF PUTTING AN OFFER TOGETHER ON SHORT NOTICE BUT URGED MEXICO TO BE FORTHCOMING ON SPECIFIC PRODUCTS. IN ADDITION, THE US HAS A CONTINUING INTEREST IN IMPROVED MARKET ACCESS, REDUCED TARIFF BARRIERS AND A LESSENING OF NON-TARIFF BARRIERS. THE MEXICAN GROUP SAID MEXICO WAS WILLING TO STUDY ALL SPECIFIC REQUESTS BUT COULD NOT RESPOND TO BASKET ITEMS AND WOULD ONLY ENTERTAIN REQUESTS BROKEN OUT ON AN ITEM-BY-ITEM BASIS. GARRIDO ADDED THAT MEXICO'S LIBERALIZING OF PERMIT REQUIREMENTS SHOULD BE UNDERSTOOD IN LIGHT OF THE FACT THAT: 1) THEY ARE NOT PERMANENT BUT RATHER PROVISIONAL; AND 2) THAT WHEN A PERMIT REQUIREMENT IS LIFTED THE TARIFF WOULD BE RAISED. THE US GROUP WAS ASKED TO UNDERSTAND THAT MEXICO CANNOT BOTH REDUCE TARIFFS AND LIFT PERMIT REQUIREMENTS. THE MEXICAN DECISION IN THIS AREA IS DESIGNED TO: 1) REAFFIRM MEXICO'S INTERNAL POLICY OF LIBERALIZATION, 2) TO SIGNAL TO THE US AND OTHER DC'S MEXICO'S WILLINGNESS TO MAKE CONCESSIONS - WITHIN ITS ABILITIES AND ACCORDING TO ITS NEEDS. GARRIDO REITERATED THAT FULL RECIPROCITY WAS NOT POSSIBLE AND SHOULD NOT BE EXPECTED. THOMPSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, COMMITTEE MEETINGS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MEXICO08126
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780207-0166
Format: TEL
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780550/aaaabpyi.tel
Line Count: 215
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 20ffb39b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2667614
Secure: OPEN
Status: NATIVE
Subject: US-MEXICO TRADE SUB-GROUP MEETING - MAY 11, AFTER- NOON SESSION FOLLOWING IS FROM EMBASSY OFFICERS' NOTES;
US DEL
TAGS: ETRD, MX, US, MTN
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/20ffb39b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014